

TOWN OF COYLE

**FINANCIAL STATEMENTS
AND INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED JUNE 30, 2020**

TOWN OF COYLE
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2020

INDEPENDENT AUDITOR'S REPORT	1
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position - Modified Cash Basis	4
Statement of Activities - Modified Cash Basis	5
Fund Financial Statement:	
Balance Sheet - Modified Cash Basis - Governmental Funds	6
Statement of Revenues, Expenditures, and Changes in Fund Balance - Modified Cash Basis - Governmental Funds	7
Statement of Net Position - Modified Cash Basis - Proprietary Fund	9
Statement of Revenues, Expenses, and Changes in Net Position - Modified Cash Basis - Proprietary Fund	10
Statement of Cash Flows - Modified Cash Basis - Proprietary Fund	11
Notes to the Financial Statements	12
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	24
Schedule of Findings and Responses	26

MICHAEL W. GREEN
Certified Public Accountant
827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Town of Coyle, Oklahoma

Report on the Audit of the Financial Statements

Qualified and Disclaimer of Opinions

I have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities and each major fund of the Town of Coyle, Oklahoma (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Qualified
Business-Type Activities	Qualified
General Fund	Qualified
Governmental Fund - Fire Fund	Qualified
Governmental Fund - Cemetery Fund	Qualified
Coyle Public Works Authority	Qualified
Coyle Education Facilities Authority	Disclaimer

Disclaimer of Opinion on the Discretely Presented Component Unit – Coyle Education Facilities Authority

I do not express an opinion on the financial statements of the discretely presented component unit of the Town. Because of the significance of the matter described in the Basis for Disclaimer of Opinion and Qualified Opinions section of my report, I was unable to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements on the discretely presented component unit.

Qualified Opinion on Governmental Activities, Business-Type Activities and Each Major Fund

In my opinion, except for the effects on the matter discussed in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit and Qualified Opinions section of my report, the modified cash basis financial statements referred to above present fairly, in all material respects, the financial position of the Town as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.B.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit and Qualified Opinions

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of my report. I am required to be independent of the Town of Coyle, Oklahoma, and to meet my other ethical responsibilities, in accordance with the relevant ethical requirements relating to my audit. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my disclaimer and qualified audit opinions.

Matter Giving Rise to Disclaimer of Opinion on the Discretely Presented Component Unit

I was not engaged to audit the Coyle Education Facilities Authority's financial statements as a part of my audit of the Town's basic financial statements. The Coyle Education Facilities Authority's financial activities are unaudited and are included in the Town's basic financial statements for information purposes only.

Matter Giving Rise to Qualified Opinions on Governmental activities, Business-Type activities and Each Major Fund

Due to the time elapsed between the fiscal year being audited (FY2020) and the performance of the audit, and since there were allegations of fraud as described in the next paragraph; it was unclear if all records were complete, available, and provided for audit.

Emphasis of Matter—Basis of Accounting

I draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. My opinions are not modified with respect to this matter.

I also draw attention to Note 4.B. of the Financial Statements which describes the allegations of fraud reported by the Town. My opinions are modified with respect to this matter as referenced in the Basis for Disclaimer of Opinion on the Discretely Presented Component Unit and Qualified Opinions above.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, I:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Coyle, Oklahoma's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in my judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Coyle, Oklahoma's ability to continue as a going concern for a reasonable period of time.

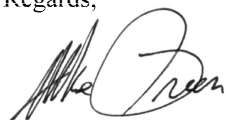
I am required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that I identified during the audit.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued my report dated July 18, 2023, on my consideration of the Town's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of

an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", written in a cursive style.

Michael Green, CPA
Stilwell, Oklahoma

July 18, 2023

TOWN OF COYLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
JUNE 30, 2020

	Government Activities	Business-Type Activities	Totals
Assets			
Current assets			
Cash and cash equivalents	\$ 15,644	\$ 18,421	\$ 34,065
Restricted cash and cash equivalents	59,485	32,180	91,665
Due from other funds	3,427	26,477	29,904
Total current assets	<u>78,556</u>	<u>77,078</u>	<u>155,634</u>
Noncurrent assets			
Lease Receivable	-	1,437,554	1,437,554
Bond Discount	-	266	266
Buildings, property and equipment	447,518	287,834	735,352
Less accumulated depreciation	(213,219)	(166,026)	(379,245)
Total noncurrent assets	<u>234,299</u>	<u>1,559,628</u>	<u>1,793,927</u>
Total assets	<u>312,855</u>	<u>1,636,706</u>	<u>1,949,561</u>
Liabilities			
Current liabilities			
Due to other funds	29,904	-	29,904
Notes payables current portion	-	2,445	2,445
Total current liabilities	<u>29,904</u>	<u>2,445</u>	<u>32,349</u>
Noncurrent liabilities			
Notes payables	-	1,477,658	1,477,658
Less current portion	-	-	-
Refundable deposits	-	10,204	10,204
Contingency for payroll liabilities (Note 4.C)	-	-	-
Total noncurrent liabilities	<u>-</u>	<u>1,487,862</u>	<u>1,487,862</u>
Total liabilities	<u>29,904</u>	<u>1,490,307</u>	<u>1,520,211</u>
Net position (Note 1.D.)			
Net Investment in capital assets	234,299	119,363	353,662
Restricted for capital projects	68,274	-	68,274
Unassigned	(19,622)	27,036	7,414
Total net position	<u>\$ 282,951</u>	<u>\$ 146,399</u>	<u>\$ 429,350</u>

The accompanying notes and auditor's report are an integral part of this statement.

TOWN OF COYLE
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
YEAR ENDED JUNE 30, 2020

Functions/programs	Program Revenues				Net (Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contracts	Capital Grants and Contracts	Primary Government		
					Governmental Activities	Business-type Activities	Totals
Governmental activities							
General Government	\$ 45,852	\$ -	\$ -	\$ -	\$ (45,852)	\$ -	\$ (45,852)
Public Safety	94,048	715	-	-	\$ (93,333)	-	(93,333)
Cemetery	556	-	-	-	(556)	-	(556)
Court	1,800	-	-	-	(1,800)	-	(1,800)
Total government activities	142,256	715	-	-	(141,541)	-	(141,541)
Business-type activities							
Water and sewer	78,477	157,664	-	-	-	79,187	79,187
Sanitation	47,634	50,353	-	-	-	2,719	2,719
Water Plant	50,675	-	-	-	-	(50,675)	(50,675)
Administration and general	38,835	8,862	-	-	-	(29,973)	(29,973)
Total business-type activities	215,621	216,879	-	-	-	1,258	1,258
Totals	\$ 357,877	\$ 217,594	\$ -	\$ -	(141,541)	1,258	(140,283)
General revenues							
Sales tax					104,938	-	104,938
Use tax					2,249	-	2,249
Tobacco tax					277	-	277
Alcohol beverage tax					4,822	-	4,822
Intergovernmental revenue not restricted to specific programs					-	-	-
Intergovernmental revenue restricted for streets & alleys					-	-	-
Franchise fees					8,368	-	8,368
Oil and gas royalties					-	-	-
In lieu of taxes					-	-	-
Miscellaneous					22,984	(683)	22,301
Donations					-	-	-
Investment earnings					622	-	622
Transfers: In					-	-	-
Transfers: Out					-	-	-
Total general revenues and transfers					144,260	(683)	143,577
Change in net position					2,719	575	3,294
Net position, beginning of year					280,232	145,824	426,056
Net position, end of year					\$ 282,951	\$ 146,399	\$ 429,350

The accompanying notes and auditor's report are an integral part of this statement

TOWN OF COYLE
BALANCE SHEET - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
JUNE 30, 2020

	General Fund	Fire Fund	Cemetery Fund	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 10,282	\$ 5,362	\$ -	\$ 15,644
Restricted cash and investments		48,887	10,598	59,485
Receivable from other funds	-	3,064	363	3,427
Investments				-
Total assets	<u>10,282</u>	<u>57,313</u>	<u>10,961</u>	<u>78,556</u>
Liabilities				
Due to other funds	<u>29,904</u>	<u>-</u>	<u>-</u>	<u>29,904</u>
Total liabilities	<u>29,904</u>	<u>-</u>	<u>-</u>	<u>29,904</u>
Fund Balance (Note 1.D.)				
Restricted	-	57,313	10,961	68,274
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	<u>(19,622)</u>	<u>-</u>	<u>-</u>	<u>(19,622)</u>
Total fund balances	<u>(19,622)</u>	<u>57,313</u>	<u>10,961</u>	<u>48,652</u>
Total liabilities and fund balances	<u>\$ 10,282</u>	<u>\$ 57,313</u>	<u>\$ 10,961</u>	

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$ 447,518	
The accumulated depreciation is \$ 213,219	
Net effect for reconciliation	234,299
Long-term liabilities are not due and payable in the current period and therefore are not report in the funds (see Note)	<u>-</u>
Net position of governmental activities	<u>\$ 282,951</u>

The accompanying notes and auditor's report are an integral part of this statement.

TOWN OF COYLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General Fund	Fire Fund	Cemetery Fund	Total Governmental Funds
Revenues:				
Sales tax	\$ 29,994	\$ 74,944	\$ -	\$ 104,938
Gasoline and Motor Vehicle tax	2,249	-	-	2,249
Alcohol beverage tax	4,822	-	-	4,822
Tobacco tax	277	-	-	277
Lodging tax	-	-	-	-
Licenses and permits	-	-	-	-
Franchise fees	8,368	-	-	8,368
Intergovernmental	-	-	-	-
Oil and gas royalties	-	-	-	-
Cemetery lot sales	-	-	-	-
In lieu of taxes	-	-	-	-
Bonds, fines and assessments	715	-	-	715
Miscellaneous	1,823	20,420	741	22,984
Investment income	-	471	151	622
Total revenues	<u>48,248</u>	<u>95,835</u>	<u>892</u>	<u>144,975</u>
Expenditures:				
General government	43,039	-	-	43,039
Public safety	3,015	58,084	-	61,099
Highways, roads and airport	-	-	-	-
Cemetery	-	-	556	556
Court	1,800	-	-	1,800
Other Services and charges	-	38,245	-	38,245
Capital outlay	-	12,000	-	12,000
Total expenditures paid	<u>47,854</u>	<u>108,329</u>	<u>556</u>	<u>156,739</u>
Excess of revenues collected over (under expenditures)	<u>394</u>	<u>(12,494)</u>	<u>336</u>	<u>(11,764)</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in Fund balance	<u>394</u>	<u>(12,494)</u>	<u>336</u>	<u>(11,764)</u>
Fund balances, beginning of year	<u>(20,016)</u>	<u>69,807</u>	<u>10,625</u>	<u>60,416</u>
Prior Period Adjustment	-	-	-	-
Fund balances, end of year	<u>\$ (19,622)</u>	<u>\$ 57,313</u>	<u>\$ 10,961</u>	<u>\$ 48,652</u>

The accompanying notes and auditor's report are an integral part of this statement

TOWN OF COYLE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE, CONTINUED - MODIFIED CASH BASIS
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

Reconciliation of the change in fund balances: total governmental funds to the change in net position of governmental activities:

Net change in fund balances: total governmental funds	\$	(11,764)
---	----	----------

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Interfund Asset and liability balances	-	-
Principal payments on Debt	38,245	38,245
Net additions to fixed assets	12,000	12,000
Depreciation	(35,762)	(35,762)

Change in net position of governmental activities	\$	<div style="border-top: 1px solid black; border-bottom: 3px double black; display: inline-block; padding: 2px 10px;">2,719</div>
---	----	--

The accompanying notes and auditor's report are an integral part of this statement.

TOWN OF COYLE
STATEMENT OF NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
JUNE 30, 2020

	Municipal Authority	UNAUDITED Coyle Education Authority	
	Enterprise	Enterprise	
	Fund	Fund	Total
Assets			
Current assets			
Cash and cash equivalents	18,421	-	18,421
Cash and cash equivalents-restricted	-	32,180	32,180
Due from other governments	13,475	13,002	26,477
Total current assets	<u>31,896</u>	<u>45,182</u>	<u>77,078</u>
Noncurrent assets			
Lease Receivable	-	1,437,554	1,437,554
Bond Discount	-	266	266
Buildings, property and equipment	287,834	-	287,834
Less accumulated depreciation	(166,026)	-	(166,026)
Total noncurrent assets	<u>121,808</u>	<u>1,437,820</u>	<u>1,559,628</u>
Total assets	<u>153,704</u>	<u>1,483,002</u>	<u>1,636,706</u>
Liabilities			
Current liabilities			
Due to other governments	-	-	-
Notes payables current portion	2,445	-	2,445
Total current liabilities	<u>2,445</u>	<u>-</u>	<u>2,445</u>
Noncurrent liabilities			
Notes payables	7,658	1,470,000	1,477,658
Less current portion	-	-	-
Refundable deposits	10,204	-	10,204
Contingency for payroll liabilities (Note 4.C)	-	-	-
Total noncurrent liabilities	<u>17,862</u>	<u>1,470,000</u>	<u>1,487,862</u>
Total liabilities	<u>20,307</u>	<u>1,470,000</u>	<u>1,490,307</u>
Net position			
Invested in capital assets	119,363	-	119,363
Restricted for debt service	-	-	-
Unrestricted	14,034	13,002	27,036
Total net position	<u>\$ 133,397</u>	<u>\$ 13,002</u>	<u>\$ 146,399</u>

The accompanying notes and auditor's report are an integral part of this statement.

TOWN OF COYLE
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020

	Municipal Authority	UNADUITED Coyle Education Authority	
	Enterprise Fund	Enterprise Fund	Total
Operating revenue			
Charges for services:			
Water	\$ 124,031	\$ -	\$ 124,031
Sewer	33,633	-	33,633
Sanitation	50,353	-	50,353
Penalties	880	-	880
Other Revenue	7,140	842	7,982
Total operating revenue	<u>216,037</u>	<u>842</u>	<u>216,879</u>
Operating expenses:			
Water and sewer	78,477	-	78,477
Sanitation	47,634	-	47,634
Water Plant	50,675	-	50,675
Wastewater	-	-	-
Maintenance department	-	-	-
Administration and general	26,826	-	26,826
Depreciation	12,009	-	12,009
Total operating expenses	<u>215,621</u>	<u>-</u>	<u>215,621</u>
Net operating income	<u>416</u>	<u>842</u>	<u>1,258</u>
Nonoperating revenue (expense)			
Investment income	-	-	-
Interest expense	(683)	-	(683)
Total nonoperating revenue (expense)	<u>(683)</u>	<u>-</u>	<u>(683)</u>
Other financing sources (uses)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(267)	842	575
Net position, Beginning of year	<u>133,664</u>	<u>12,160</u>	<u>145,824</u>
Net position, end of year	<u><u>\$ 133,397</u></u>	<u><u>\$ 13,002</u></u>	<u><u>\$ 146,399</u></u>

The accompanying notes and auditor's report are an integral part of this statement.

TOWN OF COYLE
STATEMENT OF CASH FLOWS - MODIFIED CASH BASIS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2020

	Municipal Authority Enterprise Fund
Cash flows from operating activities	
Receipts from customers	\$ 210,871
Payments to suppliers	(172,087)
Payments to employees	(33,511)
Net cash provided (used) by operating activities	<u>5,273</u>
 Cash flows from capital and related financing activities	
Purchase of capital assets	(5,627)
New debt	10,712
Principal paid on capital debt	(9,516)
Interest paid on capital debt	(683)
Net cash provided (used) by capital and related financing activities	<u>(5,114)</u>
 Cash flows from investing activities	
Net of transfers	-
Interest income	-
Net cash provided (used) by investing activities	<u>-</u>
 Net increase (decrease) in cash and cash equivalent	159
Cash balance beginning of year	<u>18,262</u>
Cash balance end of year	<u><u>\$ 18,421</u></u>
 Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 416
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Cash flows reported in other categories:	
Depreciation and amortization expense	10,023
Change in assets and liabilities:	
Change in interfund payables	(7,016)
Customer Deposits	1,850
Net cash provided by operating activities	<u><u>\$ 5,273</u></u>

The accompanying notes and auditor's report are an integral part of this statement.

TOWN OF COYLE
Coyle, Oklahoma
NOTES TO THE FINANCIAL STATEMENTS
For the year ended June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

As discussed in Note 1.B., these financial statements, for the Town of Coyle, Oklahoma (the Town), are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB.) These modified cash basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The municipality is a corporate body for public purposes created under Title 11 of the Oklahoma Statutes and accordingly is a separate entity for operating and financial reporting purposes. The general operating authority for the municipality is the Oklahoma Municipal Code contained in Title 11, Oklahoma Statutes. The Town operates under a council form of government and is governed by a three-member board of trustees. The trustees elect the mayor from their own body. The Town provides the following services as authorized by its charter: general government, public safety (fire and police), streets, public works (electric, water, sewer, and refuse).

In evaluating how to define the reporting entity, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria established by the Governmental Accounting Standards Board (GASB), GASB Statement No. 14, *The Financial Reporting Entity*, as amended by Statement No. 61.

Based upon the application of these criteria, the Town's financial reporting entity is composed of the following:

Primary Government:	Town of Coyle
Blended Component Units:	Coyle Public Works Authority
Discretely Presented Component Unit:	(Unaudited) Coyle Education Facilities Authority

The component units are public trusts established pursuant to Title 60 of Oklahoma State Statutes. Public Trusts (Authorities) have no taxing power. The Authorities are generally created to finance Town services through issuance of revenue bonds or other non-general obligation debt and to enable the Town Commission to delegate certain functions to the governing body (Trustees) of the Authority. The Authorities generally retain title to assets which are acquired or constructed with Authority debt or other Authority generated resources. The Town, as beneficiary of the public trusts, receives title to any residual assets when the public trusts are dissolved.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and activities are reported on a modified cash basis of accounting. The modified cash basis of accounting is based on the recording of cash and cash equivalents and changes

therein, and only recognizes revenues, expenses, assets and liabilities resulting from cash transactions adjusted for certain modifications that have substantial support in generally accepted accounting principles. The Town has chosen to include adjustments for the following balances arising from cash transactions:

- capital assets and the depreciation of those assets, where applicable
- long-term debt
- cash-based interfund receivables and payables
- other cash-based receivables/payables
- investments
- utility deposit liabilities

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected, and accrued revenue and receivables) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) are not recorded in these financial statements.

As a result of the Town's use of the modified cash basis of accounting, accrued liabilities related to compensated absences (vacation and sick leave) and compensatory time earned but unpaid at year-end, and any employer-related costs earned and unpaid, are not reflected in the financial statements as liabilities, but are normally reported as a commitment disclosure.

Program revenues within the statement of activities that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

- General government: License and permits, operating and capital grants and contributions
- Public safety: Fine revenue, operating and capital grants and contributions
- Streets: Gas excise and commercial vehicle taxes

GOVERNMENTAL FUNDS

The Town's governmental funds are comprised of the following:

Major Funds

- General Fund - accounts for all activities not accounted for in other special-purpose funds.
- Fire Fund – Logan County Treasurer collects sales tax for this fund. Half of the sales tax collected is earmarked for lease purchase payments, one-quarter is earmarked for maintenance and operations and the other one-quarter is earmarked for capital outlay.

Non-Major Funds (Reported as Other Governmental Funds)

- Special Revenue Funds – account for revenue sources that are legally restricted to expenditures for specific purposes (not including major capital projects). The following are the Town's Special Revenue Funds: Cemetery

The governmental funds are reported on a modified cash basis of accounting. Only current financial assets and liabilities arising from cash transactions are generally included on the fund balance sheets. The operating statements present sources and uses of available spendable financial resources during a given period. These fund financial statements use fund balance as their measure of available spendable financial resources at the end of the period.

PROPRIETARY FUNDS

Enterprise Fund

The Town's proprietary funds are comprised of the following:

- Coyle Public Works Authority – an enterprise fund that accounts for the operation of the water, sewer and sanitation activities.
- Coyle Education Authority – an enterprise fund that assists the beneficiary in making the most efficient use of all their economic resources and powers to lessen the burden on government and to stimulate educational growth and development and to promote the educational wellbeing of the beneficiary by improving available resources.

For purposes of the statement of revenues, expenses and changes in fund net position, operating revenues and expenses are considered those whose cash flows are related to operating activities, while revenues and expenses related to financing, capital and investing activities are reported as non-operating or transfers and contributions.

1.C. BUDGETS AND BUDGETARY ACCOUNTING

The Town adopted a budget, under the New Budget Act, for the year ended June 30, 2020.

1.D. ASSETS, LIABILITIES, AND EQUITY

CASH AND CASH EQUIVALENTS

For the purpose of the statements of net position, balance sheets, and statement of cash flows, “cash and cash equivalents” includes all demand and savings accounts, certificates of deposit or short-term investments with an original maturity of three months or less and money market accounts.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

INTERFUND RECEIVABLES AND PAYABLES

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds.” Short-term interfund loans are reported as “interfund receivables and payables.”

Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the Statement of Net Assets. See Note 3.E. for details of interfund transactions, including receivables and payables at year-end.

CAPITAL ASSETS

The accounting treatment of property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statement.

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost, or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds' infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003, are recorded at cost.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$ 500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40
Equipment	5-20
Vehicles	5
Utility property and improvements	10-40

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

RESTRICTED ASSETS

Restricted assets include cash and investments that are legally restricted as to their use. The primary restricted assets of the proprietary fund are related to promissory note trustee accounts and utility meter deposits. The primary restricted assets of the governmental funds are the sales tax amounts of the Fire Fund.

LONG-TERM DEBT

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements. All long-term debt to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists of notes payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund statements as it is in the government-wide statements.

COMPENSATED ABSENCES

It is the Town's policy to grant each full-time employee paid vacation in the following manner:

<u>Years of Employment</u>	<u>Rate of Accrual</u>	<u>Accumulation</u>
1 year	1/2 day per month	6 days
2-9 Years	1 day per month	12 days
10 Years and over	1 1/2 day per month	18 days

Employees are eligible to take six days accumulated vacation leave after twelve months of continuous employment. Upon separation, if any employee has completed twelve months of continuous employment, they will be compensated for any unused vacation leave. An employee dismissed for embezzlement of Town funds, theft or deliberate destruction of Town property shall not be compensated for unused vacation leave. All property owned by the Town but furnished to the employee for his/her use must be returned in usable condition for unused vacation leave upon separation.

It is the Town's policy to grant each full-time employee paid sick leave in the following manner:

Sick leave starts to accumulate upon completion of the first full month of employment. Sick leave is accrued in units of one-half working day per month. Sick leave may be accumulated to a maximum of six working days. An employee who consumes all sick leave benefits for which he/she is eligible, shall be placed on inactive status, without pay if determined necessary by the Mayor and the Town Board of Trustees.

FUND BALANCES AND NET POSITION

Fund Balances

Governmental fund equity is classified as fund balance. Fund balance is further classified as non-spendable, restricted, committed, assigned, and unassigned. These classifications are defined as:

- *Non-spendable* – includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- *Restricted* – consists of fund balance with constraints placed on the use of resources either by (a) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or (b) laws through constitutional provisions or enabling legislation.
- *Committed* - includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. The Town's highest level of decision-making authority is made by ordinance.
- *Assigned* – includes amounts that are constrained by the Town's intent to be used for specific purposes but are neither restricted nor committed. Assignments of fund balance may be made by Town Commission action or management decision when the Town Commission has delegated that authority. Assignments for transfers and interest income for governmental funds are made through budgetary process.
- *Unassigned* – represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes within the General Fund.

It is the Town's policy to first use restricted fund balance prior to the use of the unrestricted fund balance when an expense is incurred for purposes for which both restricted and unrestricted fund balances are available. The Town's policy for the use of unrestricted fund balance amounts require that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Net Position

Net position is displayed in two components:

- *Restricted net position* – Consists of net position with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments, or 2) law through constitutional provisions or enabling legislation.
- *Unrestricted net position* – All remaining net position that does not meet the definition of "restricted".

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

Fund balances on June 30, 2020, for the governmental funds are as follows:

Fund Balances:	General Fund	Fire Fund	Cemetery Fund	Total
Restricted for:				-
Cemetery	-	-	10,961	10,961
Public Safety	-	57,313	-	57,313
Total Restricted	-	57,313	10,961	68,274
Unassigned	(19,622)	-	-	(19,622)
Total Fund Balances	<u>\$ (19,622)</u>	<u>\$ 57,313</u>	<u>\$ 10,961</u>	<u>\$ 48,652</u>

1.E. REVENUES, EXPENDITURES, AND EXPENSES

SALES TAX

The Town presently levies a three percent sales tax on taxable sales within the Town. Sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The Tax Commission receives the sales tax approximately one month after collection by vendors.

PROGRAM REVENUES

In the Statement of Activities, revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

Public Safety

Fine revenue, fire protection, operating and capital grants

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose, except for the commercial vehicle tax and the gasoline excise tax, both of which are restricted for street and alley purposes.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES

The Town's policy is to eliminate interfund transfers and balances in the statement of activities and net position to avoid the grossing up of balances. Only the residual balances transferred between governmental and business-type activities are reported as internal transfers and internal balances then offset in the total column in the government-wide statements. Internal transfers and balances between funds are not eliminated in the fund financial statements.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of

contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period (such as estimated useful lives in determining depreciation expense.) Accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over Town resources follows.

Fund Deficits and Noncompliance

The Town was not in compliance with the legal provisions of Title 11-17-211B.1. They have a fund deficit in the General Fund in the amount of \$19,622.

2.A. UNINSURED AND UNCOLLATERALIZED DEPOSITS

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. As reflected in Note 3.A., all deposits were fully insured or collateralized on June 30, 2020.

NOTE 3. DETAIL NOTES – TRANSACTION CLASSES/ACCOUNTS

3.A. DEPOSITS AND INVESTMENTS

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town's investment policy for custodial credit risk for deposits states, "Safety of principal is the foremost objective of the investment program. All collateral pledged to secure public funds shall be valued at no more than market value. The collateralization level will be 110 % of market value of principal and accrued interest. Collateral will be held by the Town Finance Director of the Town of Coyle or by an independent third party with whom the entity has a current custodial agreement." As of June 30, 2020, all of the Town's bank balances were collateralized with securities held by the banks' trust departments but not in the Town's name or were covered by FDIC insurance.

Investment Interest Rate Risk - The Town of Coyle' investment policy limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Reserve funds may be invested with maturities exceeding three years from date of purchase if the maturity is made to coincide with the expected use of the funds. All other funds maturities will be no more than three years from date of purchase.

Investment Credit Risk - The Town's investment policy limits investments to any securities authorized in the Oklahoma State Statutes, as follows:

- a. Direct obligations of the U.S. Government, its agencies, and instrumentalities to which the full faith and credit of the U.S. Government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged.
- b. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out-of-state financial institutions.
- c. With certain limitation, negotiable certificates of deposit, prime bankers' acceptances, prime commercial paper and repurchase agreements with certain limitations.
- d. County, municipal, or school district tax-supported debt obligations, bond or revenue anticipation notes, money judgments, or bond or revenue anticipation notes of public trusts whose beneficiary is a

- county, municipality, or school district.
- e. Notes or bonds secured by mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and in obligations of the National Mortgage Association.
 - f. Money market funds regulated by the Securities and Exchange Commission and in which investments consist of the investments mentioned in the previous paragraphs a, b, c, and d.

As of June 30, 2020, the Town did not hold any securities with credit ratings since they are all non-negotiable time deposits.

Public trusts created under O.S. Title 60 are not subject to the above-mentioned investment limitations and are primarily governed by any restrictions in their trust or bond indentures. For the year ended June 30, 2020, the Town and the Public Works Authority complied, in all material respects, with these investment restrictions.

Concentration of Credit Risk – The Town of Coyle’ investment policy has no limit on the amount of the Town’s investment portfolio that may be invested in a single financial institution, with the exception of investment in prime bankers acceptances shall not exceed 10 % of the surplus funds of the Town, and investment in prime commercial paper shall not be more than 10 % of the outstanding paper of the issuing corporation. Of the Town’s investments, all were in certificates of deposit with 75 % invested with one financial institution.

Deposits and Investments at June 30, 2020:

Asset Classification:	Maturity (Months)	Credit Rating	Market Value	Cost
Cash	N/A	N/A	\$ 125,730	\$ 125,730
Investments:				
Certificates of Deposit	12	N/A	\$ -	\$ -
Total Deposits and Investments:			<u>\$ 125,730</u>	<u>\$ 125,730</u>

Reconciliation to Statement of Net Position

Governmental Activities	\$ 75,129
Business-Type Activities	<u>50,601</u>
	<u>\$ 125,730</u>

3.B. RESTRICTED REVENUES

The Town has various restrictions placed over certain revenue sources from state or local requirements. The primary restricted revenue sources include:

Revenue Source	Legal Restrictions of Use
Sales Tax	See Note 1.E.
Gasoline Excise & Commercial Vehicle Tax	Street & Alley purposes
Grant proceeds	Grant expenditures

3.C. CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2020, was as follows:

	June 30, 2019 Beginning Balance	Additions	Deletions	June 30, 2020 Ending Balance
<i>Governmental activities:</i>				
Other capital assets:				
Fire Equipment	374,916	12,000	-	386,916
Police Equipment	-	-	-	-
Street Equipment and upgrades	60,602	-	-	60,602
Total other capital assets at historical cost	435,518	-	-	447,518
Less accumulated depreciation for:				
Fire Equipment	137,975	32,949	-	170,924
Police Equipment	-	-	-	-
Street Equipment and upgrades	39,482	2,813	-	42,295
Total accumulated depreciation	177,457	35,762	-	213,219
Other capital assets, net	258,061	(35,762)	-	234,299
Governmental activities capital assets, net	\$ 258,061	\$ (35,762)	\$ -	\$ 234,299

	June 30, 2019 Beginning Balance	Additions	Deletions	June 30, 2020 Ending Balance
<i>Business-type activities:</i>				
Other capital assets:				
Water and Sewer System	158,322	4,006	-	162,328
Vehicles and Equipment	123,859	10,424	(8,777)	125,506
Total other capital assets at historical cost	282,181	14,430	(8,777)	287,834
Less accumulated depreciation for:				
Water and Sewer System	103,495	4,263	-	107,758
Vehicles and Equipment	52,509	7,744	(1,985)	58,268
Total accumulated depreciation	156,004	12,007	(1,985)	166,026
Other capital assets, net	126,177	2,423	(6,792)	121,808
Business-type activities capital assets, net	\$ 126,177	\$ 2,423	\$ (6,792)	\$ 121,808

Depreciation expense was charged to functions as follows in the Statement of Activities:

Primary Government:	
Public Safety	32,949
Streets	2,813
Total depreciation expense for governmental activities:	<u>\$ 35,762</u>

3.D. LONG TERM DEBT

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

In 2016, the Town, through its fire department, entered into a capital lease obligation with a local financial institution for the purchase of a fire vehicle. The lease was in the amount of \$123,818 and carries an interest rate of 3.25%. Monthly payments are \$2,606 for 60 months. The lease is renewable on an annual basis and carries a bargain purchase option. This lease was paid in full during the fiscal year.

BUSINESS-TYPE ACTIVITIES

In 2016 the Coyle Public Works Authority entered into a note payable with a local financial institution for the refurbishment of the water tower. The note was in the amount of \$53,876 and

carries an interest rate of 5%. Monthly payments are \$1,500 for 39 months. Collateral for this obligation is the water, sewer and trash revenues generated by the Coyle Public Works Authority. This note was paid in full during the fiscal year.

During the fiscal year the Coyle Public Works Authority entered into a note payable with a local financial institution for the purchase of a mower. The note was in the amount of \$10,712 and carries an interest rate of 6.5%. Monthly payments are \$254.09 for 48 months. Collateral for this obligation is the mower.

Refundable Deposits:

- Refundable deposits reported as a liability within the Statement of Net Assets are composed of the following:

Utility Deposits – Refundable \$ 10,204

CHANGES IN LONG-TERM DEBT

The following is a summary of changes in long-term debt for the year ended June 30, 2020.

Type of Debt	6/30/2019	Additions	Reductions	6/30/2020	One Year
Governmental Activities:					
Lease Purchase - Fire Truck	\$ 38,245	\$ -	\$ (38,245)	\$ -	\$ -
Total Governmental Activities	<u>\$ 38,245</u>	<u>\$ -</u>	<u>\$ (38,245)</u>	<u>\$ -</u>	<u>\$ -</u>

Type of Debt	Balance 6/30/2019	Additions	Reductions	Balance 6/30/2020	Amount Due Within One Year
Business-Type Activities:					
Note Payable-Payne Co Bank	\$ 7,308	\$ -	\$ (7,308)	\$ -	\$ -
Note Payable- Payne Co Bank	\$ -	\$ 10,712	\$ (609)	\$ 10,103	\$ 2,445
Note Payable-F&M Bank	1,599	-	(1,599)	\$ -	-
Total Business-Type Activities	<u>\$ 8,907</u>	<u>\$ 10,712</u>	<u>\$ (9,516)</u>	<u>\$ 10,103</u>	<u>\$ 2,445</u>

DEBT SERVICE REQUIREMENTS TO MATURITY

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2020, are as follows:

Proprietary Funds:

For the Year Ended	Payne Co Bank Mower	
2021	2,445	586
2022	2,629	420
2023	2,805	244
2024	2,224	63
2025	-	-
	<u>\$ 10,103</u>	<u>\$ 1,313</u>

3.E. INTERFUND TRANSFERS AND BALANCES

The Town will transfer funds within the Town's fund structure in order to facilitate cash flow or for special purposes.

Interfund payables as of June 30, 2020, are as follows:

	Due From	Due To
General Fund		\$ 23,810
Fire Fund	3,064	
Court Fund		6,094
Cemetery Fund	363	
Coyle Education Authority	13,475	
Coyle Public Works Authority	13,002	
	<u>\$ 29,904</u>	<u>\$ 29,904</u>

NOTE 4: OTHER NOTES

4.A. PENSION PLANS

Oklahoma Firefighter's Pension and Retirement System (OFPRS):

The volunteer firemen participate only in the Oklahoma State Firefighter's Pension and Retirement System which is a defined contributions plan applying only to the Town's volunteer firefighters. Eligibility to participate includes all full-time or voluntary firefighters or a participating municipality if they are hired before age 45. The State Statute gives the authority to establish contribution obligations and benefits. Vesting occurs after 10 years of service and payments begin at age 50, or after 20 years of service, whichever is later. The eligibility and benefits for distribution for volunteer firemen is 20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered. The Oklahoma Firefighters Pension and Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the fund. That report may be obtained by writing to Oklahoma Firefighters Pension and Retirement System, 4545 North Lincoln Blvd., Suite 265, Oklahoma City, Oklahoma 73105-3414, or by calling 1-800-525-7461. The report is also available at www.ok.gov/fprs under the "GASB" tab labeled "2022-GASB 68 Accounting Supplement".

OFPR plan members that are volunteer firefighters are not required to contribute to the plan. The Town is required by state law to contribute \$60 per year for each volunteer firefighter. The plan is funded by contributions from participants, employers, insurance premium taxes and state appropriation, as necessary.

Contributions	2020	\$420
	2019	\$672
	2018	\$420

4.B. RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town manages these various risks of loss by securing commercial insurance for all risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

The Town disclosed during the audit that there is alleged fraud that occurred during the fiscal year being audited. The Town also disclosed this to the District Attorney who informed the State Auditor and Inspector's office of the State of Oklahoma. As of the date of the audit, there was no conclusion to this matter.

4.C. COMMITMENTS, CONTINGENCIES AND UNCERTAINTIES

Other Commitments

Federal and State Award Programs:

The Town participates in various federal and state grant and loan programs from year to year. In 2020, the Town's involvement in federal and state award programs was not significant. The programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. The Town has not been notified of any noncompliance with federal or state award requirements. Any liability or reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

CONTINGENCIES

Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Litigation

The Town is a party to various legal proceedings that normally occur in the course of governmental operations. The financial statements do not include any accruals or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a 3-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town. While the outcome of the above noted proceedings cannot be predicted, due to the insurance coverage maintained by the Town and the State statute relating to judgments, the Town feels that any settlement or judgment not covered by insurance would not have a material adverse effect on the financial condition of the Town.

4.D. SUBSEQUENT EVENTS

Subsequent events have been evaluated through July 18, 2023, which is the date the financial statements were available to be issued.

MICHAEL W. GREEN

Certified Public Accountant

827 W. Locust Street
STILWELL, OK. 74960
(918) 696-6298

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Honorable Mayor and
Members of the Board of Trustees
Town of Coyle, Oklahoma

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Coyle, Oklahoma (the Town), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued my report thereon dated July 18, 2023. The report included an emphasis-of-matter paragraph related to the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. My report on the governmental activities, business-type activities and the enterprise fund was qualified because the time elapsed between the fiscal year being audited (2020) and the performance of the audit, and since there were allegations of fraud, it was unclear if all records were complete, available, and provided for audit.

Internal Control over Financial Reporting

In planning and performing my audit of the financial statements, I considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, I do not express an opinion on the effectiveness of the Town's internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, I did identify certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses as items (2020-01, 2020-02, 2020-03, 2020-04) to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I did not identify any deficiencies in internal control that I consider to be significant deficiencies. However, significant deficiencies may exist that were not identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed three instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* (2020-02, 2020-03, & 2020-04).

The Town's Response to Findings

The Town's response to the findings identified in my audit is described in the accompanying schedule of findings and responses. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, I express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Regards,

A handwritten signature in black ink, appearing to read "Mike Green", written in a cursive style.

Michael Green, CPA
July 18, 2023

Town of Coyle
Schedule of Findings & Responses
June 30, 2020

2020-01 Internal Controls over Financial Reporting

Criteria: The segregation of duties and responsibilities between different individuals for custody of assets, record keeping for those assets, and reconciliation of those asset accounts is an important control activity needed to adequately protect the Town's assets and ensure accurate financial reporting.

Condition: Presently a limited number of individuals have responsibility for all functions of financial statement reporting. These individuals have oversight responsibilities for billing and adjustments, posting of payments to subsidiary ledgers and reconciling the monthly bank statements. In addition, only limited oversight is provided over these individuals in the conduct of their daily functions.

Currently, the Town has a suspected fraud case being investigated by the State Auditor and Inspector's office.

Cause and Effect: The limited size and staffing resources have made it difficult for management to provide sufficient staffing to fully segregate incompatible duties in a cost-effective manner. Without sufficient segregation of duties, the risk significantly increases that errors and fraud related to the income and other billing and collection activities, including misappropriation of assets, could occur and not be detected within a timely basis.

Recommendation: Management and the board should consider a formal evaluation of their risks associated with this lack of duties segregation over assets. In response to the identified risks, consideration should be given to identifying and implementing compensating duties to act as controls that could help mitigate the risks associated with lack of segregation of duties, such as management performing review procedures for the reconciliation of accounts.

Responsible Official's Response: Management concurs with the recommendation and have implemented procedures and assigned compensating duties to management to reduce the risks associated with insufficient segregation of duties. The payment duties of the Town Clerk/Treasurer are limited to payment preparation, check stock security and payment distribution. Only Trustees have signatory authority over cash assets and all checks are manually signed with two signatures. Monthly cash receipts are input by the Town Clerk/Treasurer with a Trustee reconciling posted receipts to bank deposits. Payroll processing and tax reporting has been outsourced through the FastFund accounting system. Payroll access and input is limited to Trustees. Trustees only receive a de minimis monthly payment for service and no employee benefits.

This is a repeat finding from the prior year.

2020-02 – Timely Financial Statements and Audit

Criteria: Title 11 O.S. § 17-105-113 and Title 60 § 180.1-.3 of the Oklahoma Statutes requires all audits to be filed with the Oklahoma Office of the State Auditor and Inspector within six months of the year end.

Condition: The City is not in compliance with State Statutes. The financial statements were not available for audit until after this deadline. These violations create potential issues with funding sources and can create a situation where management decisions are not made based on relevant financial information.

Cause and Effect: Inadequate control over year end closing and financial statement preparation appear to be the cause of this issue.

Town of Coyle
Schedule of Findings & Responses
June 30, 2020

Recommendation: The year-end closing, and financial statement preparation should be completed by mid-October each year to allow adequate time to complete the audit.

Responsible Official's Response: Management of the City agree that the financial statements and annual audit should be completed within 6 months of the year end and has taken action to be in compliance.

This is a repeat finding from the prior year.

2020-03 – Deficit Fund Balance

Criteria: Title §11-17-211B.1 of the Oklahoma Statutes requires no fund balances may fall into deficit any time.

Condition: The Town is not in compliance with State Statutes. The Town's General Fund is presented with a deficit balance. This violation creates a financial hardship on the Town.

Cause and Effect: Funds belonging to CEFA were deposited into the Town's General Fund and suspected fraud contributed to the deficit fund balance. The Town failed to account for the funds that belonged to CEFA properly by transferring the funds or setting up a "due to CEFA liability" account for the funds. This lead to a prior period correction that left the Town with a deficit fund balance in the General Fund. The suspected fraud is being investigated by the District Attorney and State Auditor's Offices.

Recommendation: The Town should keep a complete accounting of all funds throughout the fiscal year which will allow for proper budgeting and avoid future budget deficit violations as well as detect potential fraud.

Responsible Official's Response: Currently the Town has new management and council members and is accounting for all funds as required.

This is a repeat finding from the prior year.

2020-04 – Fiduciary Responsibility for Coyle Educational Facilities Authority

Criteria: The Town, by contract, has a Fiduciary Responsibility to administer and account for the assets and liabilities of the CEFA.

Condition: As of the fiscal year ended June 30, 2020, the Town has not transferred assets belonging to the CEFA (cash) and has not required an audit of the Authority as required by State Statutes (described in finding 2020-02 above).

Cause and Effect: Prior to fiscal year 2018 the Town has not accounted for the CEFA funds separately and has accumulated \$13,002 in the General Fund. If the Town had required Audits of the CEFA it is likely the funds would be accounted for properly.

Recommendation: As required by State Statutes the Town should require an Audit of the CEFA and transfer all funds belonging to the CEFA.

Responsible Official's Response: As of July 18, 2023, the Town Management has identified and transferred

Town of Coyle
Schedule of Findings & Responses
June 30, 2020

all assets (cash) paid to CEFA in the amount of \$14,178 from the Town to the bank account of CEFA. The Trustees of CEFA are in the process of determining the best manner to satisfy the audit requirements of the Authority.

This is a repeat finding from the prior year.